

Service Date: May 18, 1990

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER Of The Application)	
Of AT&T COMMUNICATIONS OF THE)	
MOUNTAIN STATES, INC. For Au-)	UTILITY DIVISION
thority to Revise Their Tele-)	DOCKET NO. 90.4.27
communications Tariff to Reflect)	ORDER NO. 5473
An Annual Reduction In Revenues)	
Required By The Flow-Through Of)	
Carrier Access Charges.)	
_____)	

FINDINGS OF FACT

AT&T's April 16, 1990 Filing

On April 16, 1990 AT&T Communications of The Mountain States, Inc. (AT&T) filed with the Montana Public Service Commission (MPSC or Commission) to reduce its Message Telecommunications Service (MTS), Readyline 800 and Pro WATS Montana charges to reflect reduced carrier access charges (CACs) in the amount of \$138,000. The noted sources of the reduced CAC costs include Docket Nos. 89.11.41 and 88.12.55.

Background: Past Orders

The following reviews the relevant portions of past orders that allowed AT&T flexible pricing and to flow through CACs via a price cap mechanism. The Commission finds this review necessary as AT&T's CAC filings have not complied with its own testimony in the docket allowing CAC flow throughs.

First, from Order No. 5044d of Docket No. 83.11.80 issued November 6, 1985, the stated intent of AT&T's testimony on flexible pricing was so that tariffed prices would represent maximum prices (price caps) only. (FOF 53-55) The Commission granted AT&T's request, with conditions. The conditions include a requirement that AT&T maintain records on price/incremental cost relations. (FOF 55).

Second, in Order No. 5274a of Docket No. 86.12.67, the Commission granted AT&T's request to flow through changed CACs (FOF 49). As stated at FOF 29, AT&T proposed to flow through CACs to its Maximum Allowable Rates (MARs). The Commission required AT&T to document CAC flow throughs and disallowed AT&T's flowing through CAC changes arbitrarily, consistent with the proposal in AT&T's testimony proposed (FOF 67 and 30). That is, AT&T proposed and the Commission approved of CAC flow throughs on a "cost causal basis", which means only to those price elements that caused changes in CACs (FOF 30).

Third, AT&T filed a Motion For Reconsideration in Docket No. 86.12.67 requesting that it not be required to immediately flow through CACs. The Commission's Order on Reconsideration (No. 5274b) denied the motion since the Commission had simply allowed AT&T to flow through CAC as it initially requested. That is, AT&T's motion reflected a different proposal than in the Company's initial testimony. Order No. 5274b also requires AT&T to flow through any CAC cost change within sixty (60) days.

Commission's Decision

The Commission approves of AT&T's filing, but not without reservations. Chief among the Commission's concerns is the lack of documentation that accompanies CAC flow throughs. So as to expedite processing future filings the Commission will first

review the explicit language in Order Nos. 5274a and 5274b and then state what sort of data is expected of AT&T in future filings.

First, there occurred a discussion by the Commission in processing this filing as to Order No. 5274a's intent wherein the Commission stated AT&T may not arbitrarily select certain prices to which the cost changes would flow through to (FOF No. 67). If one turns to an earlier FOF No. 30 of the same order, AT&T's own testimony made clear that its intent, which the Commission approved in Order No. 5274a, was as follows:

The access charge flow through would be on a cost causal basis: only those price elements that caused changes in access charges would change. (Order No. 5274a, Finding No. 30)

Based on this finding, AT&T's proposal in this Docket is arbitrary and not in compliance with the order, unless of course, by "arbitrary" one ignores the above quote.

Nonetheless, the Commission in approving this filing chooses to state precisely what data AT&T must include in its next CAC flow through; 1) a statement of the test year volumes and revenues; 2) a statement of the reasons why AT&T chose the prices it selects to receive the CAC flow through, 3) a computation of incremental CAC costs on a time of day basis for MTS, WATs and 800 service as necessary per the tariff existing at the time of the flow through, averaged over the sources of such costs e.g., USW, independents, and 4) a statement of the date on which the changed costs occurred.

The CACs of the Local Exchange Companies were reduced as of February 16, 1990, by Order No. 5434a (TECOM Docket No. 89.11.41) and as of March 1, 1990, by Order No. 5398a (USWC Docket No. 88.12.55). However, AT&T did not file this Docket until April 16, 1990, 59 and 46 days later respectively. Finding of Fact No. 66 in Order No. 5274a provides in pertinent part that:

First, anytime a local exchange carrier's (LEC's), carrier access charges change there must follow, within 60 days, a concomitant change in AT&T's MARs (Maximum Allowable Rates).

Although AT&T submitted this filing to the Commission within 60 days after the CAC changes became effective, the intent of the above quoted language of Order No. 5274a is that AT&T's new rates actually become effective within the 60 day period. Obviously, it takes a period of time for the Commission to process a filing, and the new rates do not become effective until after formal approval by the Commission. Therefore, in the future, AT&T must file a request for a rate change within 30 days after a CAC rate change becomes effective (ie. following tariff approval).

CONCLUSIONS OF LAW

AT&T Communications offers regulated telecommunications services in the State of Montana and is a public utility under Section 69-3-101, MCA.

The Montana Public Service Commission has authority to supervise, regulate and control public utilities. Section 69-3-102, MCA.

The Commission has provided adequate public notice and an opportunity to be heard in this Docket. Section 69-3-104, MCA, and the Montana Administrative Procedure Act (Title 2, Chapter 4, MCA).

ORDER

THEREFORE, THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:
AT&T's filing submitted on April 16, 1990 is hereby approved, and the changed tariffs are effective for telephone service rendered on and after May 17, 1990.

Finding of Fact Nos. 6-10 are hereby incorporated by this reference, and
AT&T is specifically directed to comply with the requirements contained therein.

DONE and DATED at Helena, Montana this 17th day of May, 1990 by a 5-0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner

ATTEST:

Ann Peck
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.